

DEPARTMENT OF COMMERCE REQUIREMENTS FOR INDIRECT COST PROPOSALS

Background

The Office of Management and Budget (OMB) has established a policy whereby a single federal agency is responsible for the review, negotiation, and approval of indirect cost rates for use on federal financial assistance programs. Normally, the federal agency providing the predominant amount of direct funding is the cognizant agency. State agencies, non-profits, and for-profit organizations for which the Department of Commerce (DoC) is cognizant or has oversight are required to submit their indirect cost proposals to DoC for negotiation. Units of local government, such as the economic development districts, are not required to submit their indirect cost proposals unless specifically instructed in a special award condition.

DoC has authorized the Department of Health and Human Services to negotiate indirect cost rates and review cost allocation plans on behalf of DoC for state agencies and non-profits. The methodology and principles used in pooling indirect costs and establishing a common base for distributing these costs to ensure that each federal, state, and local program bears its fair share will be reviewed. Only fixed rates with carry forward provisions will be negotiated.

A fixed rate with carry forward provisions is similar to a predetermined rate in that a permanent rate is established for a specific future period (usually one fiscal year) based on an estimate of the costs for that period. However, fixed rates also require an adjustment to actual costs once actual costs have been determined. The difference between the estimated costs used to establish the fixed rate and the actual costs of the fiscal year covered by the rate is “carry forward” as an adjustment to the next rate negotiation. During a period when a fixed rate is in use, if facts become available to the organization that an event has occurred which materially alters the fixed rate, the fixed rate should be re-negotiated to reflect the new circumstances.

Information Required by DoC for Negotiation of Indirect Cost Rates

- ' An organizational chart and brief narrative background statement outlining the financial operation of the organization.
- ' A narrative cost policy statement which identifies an organization's policy on the costs that it considers direct, the costs it considers indirect, and the rationale to support these costs.
- ' Audited financial statements, formal budgets, accounting records, and/or projections and related work papers to support the costs contained in the indirect cost proposal.
- ' An indirect cost proposal detailing direct and indirect costs by function and cost category and reconciled with the supporting accounting information submitted.
- ' A completed Certification identifying the period of coverage for the indirect cost proposal and asserting that the indirect cost proposal has been prepared in accordance with applicable federal guidelines. (See Sample Certification.)
- ' A listing of grants and cooperative agreements by federal agency, Catalog of Federal Domestic Assistance (CFDA) No., total dollar amount, period of performance, applicable cost principle, and the identification of any administrative cost limitation applicable to each.

Submission of Information

For those organizations for which DoC is cognizant or has oversight, DoC or its designee either will negotiate a fixed rate for the recipient or, in some instances, will limit its review to evaluating the procedures described in the recipient's cost allocation methodology plan. Indirect cost rates and cost allocation methodology reviews are subject to future audits to determine actual indirect costs. Within 90 days of the award start date, the recipient shall submit to the address listed below documentation (indirect cost proposal, cost allocation plan, etc.) necessary to perform the review. The recipient shall provide the Grants Officer with a copy of the transmittal letter.

Office of Executive Assistance Management
Department of Commerce
14th Street and Constitution Avenue, N.W., Room H-6022
Washington, DC 20230

If there are any questions regarding the submission of information, please contact the Indirect Cost Coordinator at 202-482-4115.